



OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



**FILE COPY**

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DR. KENNETH M. STONE, CPA  
Internal Audit Executive

February 14, 2012

Karen Wallensack, Executive Director  
Housing Resource Center  
800 N. Tucker  
St. Louis, MO 63101

RE: Homeless Prevention and Rapid Re-Housing (HPRP) and Federal Emergency Shelter  
Grant (FESG) (Project #2012-HOM13)

Dear Ms. Wallensack:

Enclosed is a report of the fiscal monitoring review of Housing Resource Center, a not-for-profit organization, HPRP and FESG programs, for the period January 1, 2011 through July 31, 2011. The scope of a fiscal monitoring review is less than an audit, and as such, we do not express an opinion on the financial operations of Housing Resource Center. Fieldwork was completed on September 15, 2011.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and through an agreement with the City of St. Louis, Department of Human Services (DHS) to provide fiscal monitoring to all grant sub-recipients.

If you have any questions, please contact the Internal Audit Section at (314) 657-3490.

Sincerely,

Dr. Kenneth M. Stone, CPA  
Internal Audit Executive

Enclosure

Cc: Parimal Mehta, Fiscal Manager, DHS  
Antoinette Triplett, Manager II - Homeless Services, DHS



# CITY OF ST. LOUIS

**DEPARTMENT OF HUMAN SERVICES (DHS)  
FEDERAL EMERGENCY SHELTER GRANT (FESG)  
HOMELESSNESS PREVENTION AND RAPID RE-HOUSING  
PROGRAM (HPRP)**

**HOUSING RESOURCE CENTER  
CONTRACTS #60442 & #62482  
CFDA #14.231 AND #14.257**

**FISCAL MONITORING REVIEW**

**JANUARY 1, 2011 THROUGH JULY 31, 2011**

**PROJECT #2012-HOM13**

**DATE ISSUED: FEBRUARY 14, 2011**

**Prepared By:  
The Internal Audit Section**



## OFFICE OF THE COMPTROLLER

**HONORABLE DARLENE GREEN, COMPTROLLER**

**CITY OF ST. LOUIS  
DEPARTMENT OF HUMAN SERVICES (DHS)  
HOMELESS PREVENTION AND RAPID RE-HOUSING PROGRAM (HPRP)  
FEDERAL EMERGENCY SHELTER GRANT (FESG)  
HOUSING RESOURCE CENTER  
FISCAL MONITORING REVIEW  
JANUARY 1, 2011 THROUGH JULY 31, 2011**

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## INTRODUCTION

### Background

**Contract Name:** Housing Resource Center

**Contract Numbers:** 60442 (HPRP)  
62482 (FESG)

**CFDA Numbers:** 14.257 (HPRP)  
14.231 (FESG)

**Contract Periods:** 12/1/09 – 7/28/12 (HPRP)  
1/1/11-12/31/11 (FESG)

**Contract Amounts:** \$1,800,000 (60442 HPRP)  
\$ 108,493 (62482 FESG)

These contracts provided Homeless Prevention and Rapid Re-Housing (HPRP) and Federal Emergency Shelter Grant (FESG) funds from the Department of Human Services (DHS) to Housing Resource Center (Agency) to promote the delivery of supportive housing services and to assist homeless persons in the transition from homelessness to independency and permanent housing. These services were provided for eligible persons and persons at risk of becoming homeless; families who reside or last known permanent address is 100 miles or more from the City of St. Louis.

### Purpose

The purpose of the review was to determine the Agency's compliance with federal, state and local DHS requirements for the period January 1, 2011 through July 31, 2011, and make recommendations for improvements as considered necessary.

### Scope and Methodology

Inquiries were made regarding the Agency's internal controls relating to the grants administered by DHS. Evidence was tested supporting the reports the Agency submitted to DHS and other procedures were performed as considered necessary. Fieldwork was completed on September 15, 2011.

### Exit Conference

An exit conference was declined by the Agency on January 12, 2012.

### Management's Responses

The management's responses to the observations and recommendations identified in the draft report were received from the Agency on February 7, 2012. The responses have been incorporated into this report.

## **SUMMARY OF OBSERVATIONS**

### **Conclusion**

The Agency did not fully comply with federal, state and local DHS requirements.

### **Status of Prior Observations**

The Agency's previous fiscal monitoring report, Project #2011-HOM01, issued March 29, 2011 contained no observations.

### **A-133 Status**

The Agency is part of the Archdiocese of St. Louis, which expended \$500,000 or more in federal funds for its fiscal year ended June 30, 2011; therefore, it was required to have a single audit in accordance with OMB Circular A-133.

The report was dated October 27, 2011 and rendered an unqualified opinion on both the financial statements and compliance for major federal programs. There were no material weaknesses or significant deficiencies noted on the financial statements.

There were audit findings required to be reported in accordance with section 510(a) of OMB Circular A-133; however, they did not relate to the grants passed through the City of St. Louis.

The Agency did not qualify as a low-risk auditee.

### **Summary of Current Observations**

Recommendations were made for the following observations, which if implemented could assist the Agency in fully complying with federal, state, and local DHS requirements.

1. Opportunity to provide supporting documentation  
(Questioned Cost, \$3,412.50)
2. Opportunity to comply with contract requirements for allowable expenses  
(Questioned Cost, \$1,891.86)

## **DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES**

### **1. Opportunity To Provide Supporting Documentation (Questioned Cost, \$3,412.50)**

As of the completion of the fieldwork date, the Agency did not provide cancelled checks and invoices for \$3,412.50 charged to HPRP grant. The expenses consisted of research, phone calls, visits, and computer work performed in January 2011.

Section 25 of the HPRP contract states, "The contractor must maintain accounting records and evidence pertaining to the contract in accordance with generally accepted accounting principles and other procedures specified by the City."

The Agency did not have a system of internal control in place to ensure that all grant related expenses claimed for reimbursement had adequate supporting documentation.

The lack of supporting documentation for the expenses billed to the federal grant may result in termination or suspension of the grant.

#### **Recommendation**

It is recommended that the Agency implement procedures to ensure that adequate supporting documentation is maintained to substantiate expenses billed to the grant. In addition, if adequate documentation is not provided for the above expenses, it is recommended that the Agency pay back \$3,412.50 to DHS.

#### ***Management's Response***

*According to the narrative, "Canceled checks and invoices were requested for non-payroll expenditures to verify payments for the months of January and March 2011 (HPRP), and as of the completion of fieldwork, the information has not been received."*

*We did supply additional information on October 20, 2011. It is possible you did not receive it or it did not satisfy your request.*

*The questioned cost involves a January 18, 2011 payment to Right On Construction, a firm owned by an independent contractor. The contractor searches for affordable rental housing that also meets HUD's quality standards. He talks to landlords, visits properties and prepares a housing list for use by case managers and clients.*

*He submits an invoice for his work monthly. The housing list backs up the invoice, as it cites landlords contacted and sites visited.*

*A copy of the cancelled check, check request and invoice for the \$3,412.50 payment in question is included, along with the list of landlords contacted or visited that month.*

**1. Continued...**

*I also have attached a copy of the contract between the Catholic Charities Housing Resource Center and the contractor. This establishes the rate of pay and tasks to be performed.*

*Based on this information, CCHRC believes the expenditures have been sufficiently documented and complies with HUD HPRP regulations. We respectfully disagree that a return of funding is warranted.*

**Auditor's Comment**

The invoice submitted in support of the \$3,412.50 was not dated, and did not appear on the vendor's letterhead.

## 2. Opportunity To Comply With Contract Requirements For Allowable Expenses (Questioned Cost, \$1,891.86)

The Agency billed for non-payroll expenses that exceeded or were not allowed in the FESG contract agreement as follows:

A	B	C	D	E
Reimbursement Date	Expense Description	Amount Paid	Grant Budget	Questioned Cost (C-D)
May 2011	Food Vouchers	\$1,500.00	\$ -	\$1,500.00
May 2011	Transportation	527.00	135.14	391.86
Total		\$2,027.00	\$135.14	\$1,891.86

The Agency submitted a budget revision to DHS, which was not approved. The Agency failed to comply with the FESG budget specifications.

Requesting reimbursements for expenditures that are not in accordance with the terms and conditions of the contract agreement may result in suspension or termination of the grant.

### Recommendation

It is recommended that the Agency return to DHS \$1,891.86 for expenses claimed for reimbursement that exceeded or was not allowed in the grant contract. In addition, it is recommended that the Agency establish a system of internal controls to ensure that only allowable expenditures identified in the FESG contract agreement are requested for reimbursement.

### Management's Response

*In response, management respectfully points out that the 2011 contract mistakenly contains the Scope of Work and Budget for the previous year (2010), and not the documents submitted by CCHRC for its 2011 agreement.*

*"Exhibit C" contains an electronic message to DHS, dated December 29, 2010. In it, CCHRC submitted an updated Scope of Work and budget for 2011. In the budget, we "eliminated money for motel vouchers and transferred this amount to food vouchers." The new budget called for \$527 to be spent on bus passes and \$1,500 on food certificates, as the exhibit shows.*

*There was significant pressure, at the time, to get the FESG contracts executed. DHS sent an electronic copy of the contract to CCHRC during the first week of January; it did not include the Scope of Work or budget, however. As "Exhibit D" shows, CCHRC confirmed receipt of the contract via e-mail on January 7, 2011, and stated that we would return just the signature pages, so that DHS could assemble and forward the agreement. DHS responded that "that would be great!!"*



## 2. Continued...

*Apparently, in a hurry to get the contract in order, the previously submitted 2011 Scope of Work and budget were overlooked. Instead, the 2010 attachments were inserted into the contract and it was sent for execution.*

*CCHRC did not receive the executed contract back until April 6, 2011. During that time, we operated thinking the 2011 documents had been attached.*

*Unfortunately, no one at CCHRC checked the contract upon its arrival. So we continued our work believing that the 2011 budget was in force. CCHRC submitted invoices accordingly through the remainder of the year. All of them were paid without question.*

*Only when the auditor brought up the discrepancy between the budget in the contract and actual expenses did management realize that year-old documents had been inserted in the 2011 contract. By then, it was too late to seek a budget revision.*

*CCHRC agrees that corrective action should be taken, but not in accordance with the recommendation cited. Had CCHRC reviewed the contract upon its arrival, the mistake would have been caught, and a budget revision would have been submitted before the questioned payments were made. So the appropriate corrective action is as follows: CCHRC in the future will review all executed contracts to ensure that terms and attachments are correct and as agreed upon with the funder.*

*Because CCHRC acted in good faith, having submitted a revised budget for 2011 – and having no reason to believe this document had been overlooked – it disagrees that funding should be returned.*